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UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548



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FOR RELEASE ON DELIVERY  
EXPECTED AT 2:00 P.M. EST  
TUESDAY, MARCH 4, 1980

STATEMENT OF  
JOHN LANDICHO, ASSOCIATE DIRECTOR  
COMMUNITY AND ECONOMIC DEVELOPMENT DIVISION  
BEFORE THE  
SUBCOMMITTEE ON COMMUNICATIONS  
OF THE  
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE  
HOUSE OF REPRESENTATIVES

2301

ON

[ ROUTINE DISCLOSURE OF BROADCASTER  
FINANCIAL RECORDS ]

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MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

WE WELCOME YOUR INVITATION TO BE HERE TODAY TO DISCUSS  
H.R. 5430, A BILL TO AMEND THE COMMUNICATIONS ACT OF 1934 TO  
REQUIRE THE FEDERAL COMMUNICATIONS COMMISSION TO COLLECT  
CERTAIN FINANCIAL INFORMATION FROM COMMERCIAL BROADCAST  
STATION LICENSEES AND TO MAKE SUCH INFORMATION AVAILABLE FOR  
PUBLIC INSPECTION.

IN OUR JUNE 1979 REPORT ON SELECTED REGULATORY POLICIES  
FOR COMMERCIAL RADIO AND TV (CED-79-62) WE RECOMMENDED THAT,  
BECAUSE THE FREEDOM OF INFORMATION ACT IS INTENDED TO ENCOURAGE

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PUBLIC ACCESS TO AGENCY RECORDS, THE COMMISSION INITIATE A PUBLIC INQUIRY TO EVALUATE THE ARGUMENTS FOR AND AGAINST ROUTINE FINANCIAL DISCLOSURE OF BROADCASTER FINANCIAL REPORTS AND DETERMINE WHETHER ROUTINE DISCLOSURE WOULD CAUSE COMPETITIVE HARM. WE ALSO RECOMMENDED THAT, IN REVIEWING PROPOSED REVISIONS TO ITS FORM 324 FINANCIAL REPORT, THE COMMISSION CONSIDER THAT EXPENDITURES DATA BY PROGRAM CATEGORIES WOULD BE USEFUL FOR EVALUATING THE UTILITY OF A STANDARD OF SERVICE BASED ON THE RELATIONSHIP BETWEEN PROGRAM EXPENDITURES AND REVENUES, PROFITS, OR INVESTMENT IN TANGIBLE PROPERTY.

IN ITS AUGUST 1979 RESPONSE TO OUR REPORT, THE COMMISSION STATED THAT ITS BROADCAST BUREAU IS PREPARING A PROPOSAL TO INITIATE A PUBLIC PROCEEDING ON REVISIONS TO THE CURRENT FINANCIAL REPORTING FORM, INCLUDING REVISIONS FOR IMPROVING PROGRAM EXPENSE DATA. AS OF LATE FEBRUARY, THIS PROPOSAL HAD NOT BEEN FINALIZED. THE COMMISSION ALSO RECOGNIZED THAT PROGRAM EXPENDITURES MIGHT BE USEFUL IN DETERMINING A STANDARD OF STATION SERVICE, AND THAT SUCH A STANDARD, IF ADOPTED, PRESUMABLY WOULD REQUIRE PUBLIC DISCLOSURE OF STATION FINANCIAL DATA. HOWEVER, THE COMMISSION CONCLUDED THAT IT IS APPROPRIATE TO WAIT UNTIL THE FINANCIAL REPORTING FORM IS REVISED AND THE NEW REPORTING REQUIREMENTS ARE KNOWN BEFORE CONSIDERING AN EXPENDITURES STANDARD AND PUBLIC DISCLOSURE.

OUR RECOMMENDATIONS, THE COMMISSION'S RESPONSE TO OUR REPORT, AND THE QUESTIONS BEFORE THIS PANEL LEAD US TO THE FOLLOWING OBSERVATIONS.

FIRST, THE VALUE OF ROUTINE FINANCIAL DISCLOSURE ON A STATION-BY-STATION BASIS MAY BE SEVERELY LIMITED FOR THE PURPOSE OF INFLUENCING BROADCASTER PROGRAMING UNLESS

--FINANCIAL DISCLOSURE INCLUDES STATION EXPENDITURES ON SPECIFIC PROGRAM CATEGORIES, SUCH AS NEWS, PUBLIC AFFAIRS, AND LOCALLY PRODUCED PROGRAMING; AND

--CRITERIA FOR SPECIFIC CATEGORIES COULD BE ESTABLISHED WHICH DEFINE EXPENDITURES LEVELS THAT ARE DEEMED ADEQUATE FOR MEETING THE OBLIGATION TO PROVIDE RESPONSIVE PROGRAM SERVICE.

THE CURRENT FORM 324 FINANCIAL REPORT IS INADEQUATE FOR THESE PURPOSES BECAUSE IT DOES NOT DISCLOSE STATION EXPENDITURES ON THE TYPES OF PROGRAMING TRADITIONALLY REGARDED AS IMPORTANT TO PUBLIC SERVICE. EVEN IF SUCH EXPENDITURES DATA WERE REPORTED AND DISCLOSED, HOWEVER, SOME EVALUATION CRITERIA WOULD BE NEEDED SO THAT THE PUBLIC AND BROADCASTERS WOULD KNOW WHAT CONSTITUTES AN ADEQUATE EXPENDITURES LEVEL. OTHERWISE, THE COMMISSION WOULD HAVE TO DECIDE ON AN AD HOC BASIS THE MERITS OF COMPETING PARTIES INTERPRETATIONS OF THE FINANCIAL DATA AND ITS APPLICATION TO THE PUBLIC INTEREST STANDARD, A CIRCUMSTANCE WHICH WE BELIEVE WILL CREATE REGULATORY UNCERTAINTY.

SECOND, WE BELIEVE THAT THE ISSUE OF COMPETITIVE HARM SHOULD BE EVALUATED BEFORE ROUTINE FINANCIAL DISCLOSURE IS AUTHORIZED, REGARDLESS OF WHETHER THAT AUTHORITY IS GRANTED

BY THE COMMISSION UNDER THE FREEDOM OF INFORMATION ACT OR BY THE CONGRESS THROUGH ENACTMENT OF H.R. 5430. THE BALANCING OF THE PUBLIC'S RIGHT TO KNOW AGAINST THE INTEREST OF A BUSINESS TO PROTECT ITS INFORMATION IS A DIFFICULT JUDGMENT, AND, ON THE BASIS OF OUR REVIEW WORK, WE CANNOT SAY WHETHER OR NOT ROUTINE FINANCIAL DISCLOSURE WOULD CAUSE COMPETITIVE HARM. BROADCASTERS ARGUING AGAINST DISCLOSURE ALLEGE FOR EXAMPLE, THAT A STATION'S ABILITY TO OBTAIN FINANCING WOULD BE JEOPARDIZED, THAT THE FINANCIAL DATA WOULD BE USED UNFAIRLY BY COMPETITORS TO DRIVE A STATION OUT OF BUSINESS, OR THAT THE GOODWILL OF A STATION STIGMATIZED AS A "LOSER" WOULD BE DAMAGED. WHETHER SUCH ARGUMENTS ARE VALID, AND WHETHER THEY OUTWEIGH ARGUMENTS MADE BY PUBLIC INTEREST ADVOCATES REGARDING THE PUBLIC'S RIGHT TO KNOW, ARE QUESTIONS WHICH THIS PANEL SHOULD EXPLORE.

THIS CONCLUDES MY PREPARED STATEMENT.